

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the June 2, 1999
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: July 7, 1999

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee Meeting held in open session June 2, 1999 are submitted on the following pages.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
JUNE 2, 1999
OPEN SESSION
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
Yvonne Gallegos Bodle
George Fenimore
Marty Mathiesen
Lillian Raffel
Emma Zink
Phil Angelides, State Treasurer
Beth Renge, representing State Controller
Kathleen Connell
Patrick Keegan, representing State Superintendent
of Public Instruction, Delaine Eastin
Annette Porini, representing State Director of Finance
Tim Gage

ALSO PRESENT

James Mosman, Chief Executive Officer
Patrick Mitchell, Chief Investment Officer
Elleen Okada, Director of Investment Admin. and External Relations
Chris Waddell, Chief Counsel
Michael Picker, Deputy State Treasurer
Eileen Park, Treasury Program Manager
Chris Drevalas, Treasury Program Manager
Doug Wills, Staff Counsel
Mitch Pleis, Director of Real Estate
Real Desrochers, Director of Alternative Investments
Michelle Cunningham, Director of Fixed Income
Richard Rose, Investment Officer
Janice Hester Amey, Corporate Affairs Advisor
Glenn Hosokawa, Investment Officer
Allan Emkin, Pension Consulting Alliance
Nori Gerardo Lietz, Pension Consulting Alliance
Terry Sander, Pension Consulting Alliance
Doug Le Bon, Pathway Capital Management
Al Clerc, Pathway Capital Management
Barbara Lloyd, Deputy State Treasurer
Nathan Brostrom, J. P. Morgan

John Greenlee, CIBC World Markets
Mary Neale, Orrick Herrington
Teresa Parker, California Housing Finance Agency
John Schienle, California Housing Loan Insurance Fund
Dorothy Moser, United Teachers of Los Angeles, Retired
Beverly Carlson, California Teachers' Association
Dale Clevenger, Community Colleges
Bill Collins, California Teachers Association
Mary Miles, Administrative Assistant

A quorum being present, Chairperson Lynes reconvened the open session meeting at 9:39 a.m.

I. **ANNOUNCEMENTS** (Item 2)
There were no announcements.

II. **APPROVAL OF MINUTES OF THE MAY 5, 1999 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to approve the minutes of the May 5, 1999 Investment Committee, Open Session as presented. Mr. Keegan abstained.

Ms. Porini arrived at the meeting at 9:40 a.m.

III. **CREDIT ENHANCEMENT – PANEL ON SCHOOL FINANCING** (Item 4)
Mr. Mitchell and Mr. Rose gave a brief overview of school financing and introduced Ms. Lloyd, Mr. Brostrom, Mr. Greenlee, and Ms. Neale. The panelists presented information on California School Financing Authority (CSFA), types of school bonds, letters of credit, and legal risk associated with credit enhancing school bonds. Discussion ensued.

IV. **CREDIT ENHANCEMENT – SCHOOL BOND CREDIT ENHANCEMENT PROGRAM** (Item 5)
Mr. Rose and Ms. Lloyd discussed the role of CalSTRS in providing credit enhancement for California public schools. Discussion ensued.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Raffel and carried to authorize participation of school districts and other employing agencies in the existing credit enhancement program subject to the 25% Internal Revenue code Safe Harbor provisions and to direct Staff to work with the California School Financing Authority (CSFA) on the development of final recommendations regarding the role of CalSTRS in the School Bond Credit Enhancement Program offered by the CSFA.

Staff was directed to prepare specific implementation proposals for consideration at the next Investment Committee Meeting.

V. **ALTERNATIVE INVESTMENTS - BUSINESS PLAN** (Item 6)
Mr. Desrochers and Mr. Clerc discussed implementation of the strategic allocation, secondary interests, manager selection, and implementation of the co-investment program.

Mr. Angelides arrived at the meeting at 11:15 a.m.

MOTION duly made by Ms. Zink, seconded by Mr. Fenimore to adopt a resolution to approve the Alternative Investments business plan.

SUBSTITUTE MOTION, duly made by Ms. Zink, seconded by Mr. Angelides and carried to adopt a resolution to approve the Alternative Investments business plan, to establish a pool of investment advisors and/or independent fiduciaries to assist in administration of the co-investment program, and to authorize a waiver from the disabled veterans contract participation goal requirement for the advisors and/or independent fiduciaries. Ms. Renge voted no, Ms. Porini abstained.

Mr. Angelides left the meeting at 12:00 p.m. Mr. Picker resumed representation for the State Treasurer.

VI. **FIXED INCOME – CURRENCY HEDGING POLICY** (Item 7)

Ms. Cunningham and Mr. Hosokawa reviewed the currency hedging program and reviewed proposed policy updates.

MOTION duly made by Ms. Zink, seconded by Mr. Fenimore and carried to adopt a resolution to approve the Currency Hedging Program Policies as presented.

Chairperson Lynes recessed the meeting at 12:30 p.m.
The meeting reconvened at 1:15 p.m.

VII. **EXTERNAL EQUITY – EQUITY MONITORING POLICY** (Item 8)

Ms. Okada and Ms. Hester Amey presented the written Equity Monitoring Policy.

MOTION duly made by Ms. Zink, seconded by Mr. Fenimore and carried to adopt a resolution to approve the Equity Monitoring Policies.

VIII. **LEGISLATION** (Item 9)

Mr. Derman presented the written staff analysis of SB 1245. Discussion ensued.

MOTION duly made by Ms. Zink, and seconded by Mr. Fenimore to adopt a neutral position on SB 1245.

SUBSTITUTE MOTION duly made by Mr. Picker, seconded by Ms. Raffel and carried to adopt a support position on SB 1245.

IX. **FIXED INCOME – HOME LOAN PROGRAM REPORT** (Item 10)

Ms. Cunningham, Mr. Shantic, Mr. Woods, Ms. Parker, and Mr. Schienle provided a progress report on the revitalization of the home loan program.

Ms. Parker stated for the record that she encourages CalSTRS to participate in a joint program for affordable housing in California. She further suggested information be disseminated to County Superintendents of Schools.

Staff is to present specific plans at the July meeting.

X. **ACTIVITY STATUS REPORT – CREDIT ENHANCEMENT** (Item 11)

Mr. Rose presented the written report. He reported that Standard & Poors had upgraded CalSTRS' rating to AAA.

- XI. **ACTIVITY STATUS REPORT – REAL ESTATE** (Item 12)
Mr. Pleis presented the written report.
- XII. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 13)
Mr. Desrochers presented the written report and reported on an additional commitment of \$2 million made under delegation to Chisholm Partners IV, L.P.
- XIII. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 14)
Mr. Mitchell provided updates to the written report.
- XIV. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 16)
There were no statements from the public.
- XV. **MOVE TO CLOSED SESSION**
Chairperson Lynes recessed the meeting at 2:25 p.m. and reconvened directly into closed session at 2:30 p.m.
- XVI. **ADJOURNMENT**
Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 4:07 p.m.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson